

3-1-1937

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Recommended Citation

Gallaher, Ruth A. "The First Bank in Iowa." *The Palimpsest* 18 (1937), 103-112.

Available at: <https://ir.uiowa.edu/palimpsest/vol18/iss3/6>

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The First Bank in Iowa

On the morning of October 31, 1837, a new institution opened its doors in the frontier settlement of Dubuque. It had been christened "The Miners' Bank of Dubuque". Probably (although no definite statement has been found to that effect) the president, Ezekiel Lockwood, and the cashier, G. D. Dillon, were present on this occasion. The building, near the present corner of Central Avenue and Ninth Street, was one of many hastily erected houses. No one has left an inventory of the equipment, but certainly there was no spacious lobby with mahogany fixtures, no huge safe with a time lock to defy burglars and kidnapers, no glass and grill-work compartment to separate the cashier from the customers, no luxurious private office for the president. The usual furniture of a frontier bank no doubt sufficed — a desk, table, or counter with drawers for cash and notes, two or three chairs, a stove, perhaps a strong box or primitive safe, and a shelf or cupboard for the books.

The principal purpose of banks at that time was to borrow money and conduct the business of exchange in currency. They increased the amount

of money in circulation by issuing bank notes. There were few deposits. The need for more currency and the emphasis on the freedom of the individual to conduct his business as he pleased soon produced a deluge of bank notes. None of these was adequately safeguarded by law and many were entirely worthless. Indeed, the evaluation of bank notes required the most skilful study. But the issue of such notes did at first help business in a community. If such currency had to be used, it might as well be issued by a local bank for the benefit of the home town.

So it was that in the summer of 1836 a group of men at Dubuque applied to the legislature of the Territory of Wisconsin for a bank charter. Dubuque had a population of about 1200 persons. Lead, land, politics, and river traffic were the chief topics of conversation. Churches, stores, hotels, and dwelling houses had been built and more were springing up. A newspaper had been started. The town plat had been surveyed. Yes, Dubuque needed a bank. The Wisconsin Territorial lawmakers granted the requested charter and an act creating the Miners' Bank of Dubuque was approved on November 30, 1836. The statute was submitted to Congress and on March 3, 1837, the charter was approved, but with several amendments.

Nine men — Ezekiel Lockwood, a merchant, Francis Gehon, Marshal of Wisconsin Territory, John King, founder of the *Dubuque Visitor*, Lucius H. Langworthy, one of the prominent business men of Dubuque, William W. Coriell, a lawyer and later proprietor of the *Iowa News*, William Myers, Robert D. Sherman, Simeon Clark, and E. M. Bissell — were named in the act as temporary directors and commissioners to sell stock. After the actual organization of the bank, seven directors were to be elected annually on the first Monday of October by a plurality vote.

The total indebtedness of the bank (and in 1837 this meant largely the issue of notes) as fixed by the legislature was not to exceed three times the amount of paid-in capital. Congress reduced this to twice the paid-in capital. No note or bill was to be issued for less than five dollars and no notes or bills were to be put in circulation until half of the capital stock was on hand.

The restriction on the issue of bank notes of small denominations seems incomprehensible, and explanations of it made at the time are not clear. Apparently the greater number of small notes which could be issued on a certain amount of capital made liquidation more difficult. It was also pointed out that small notes circulated chiefly among poor people and were less often returned

to the bank for redemption. Moreover, small notes were more easily counterfeited.

It should be noted that the charter of the Miners' Bank lacked many of the requirements of safe banking. There was no required reserve, no specific requirement that the notes be redeemed in specie, no preference of note holders over other creditors, not even a requirement that the specie paid in on the capital stock be retained.

The legal formalities of organization having been settled, the commissioners opened the books for stock subscriptions at Dubuque on May 22, 1837, in the store of Francis Gehon. The *Iowa News* recorded in an editorial on June 3rd that all the stock was subscribed during the four days of May 22nd, 23rd, 24th, and 30th. At this time only ten per cent had to be paid and payments could be in either currency or specie. The same issue of the paper carried a notice that a payment of forty per cent of the price of the shares purchased must be paid by the second Monday of October and half of this payment must be in specie.

On October 14, 1837, a meeting of the stockholders was held at the counting room of Ezekiel Lockwood. It appears that the election of officers was accompanied by some friction. Ezekiel Lockwood was elected president and G. D. Dillon cashier. E. M. Bissell, one of the original direc-

tors, apparently expected to be the cashier, but was displaced by Dillon.

It was, perhaps, due to this internal friction that the Wisconsin Territorial legislature, meeting at Burlington, turned its attention to the bank. Rumors circulated that the required payments had not been made before the first notes were issued and that the specie paid in had been borrowed for the occasion. It was also charged that the larger stockholders were attempting to control the votes of small stockholders. Panic was in the air, and the general mismanagement of banks caused suspicion of all such institutions.

On November 16, 1837, a little more than two weeks after the Miners' Bank opened its doors, the House of Representatives, then in session at Burlington, decided to investigate. Why the Council did not join in this is not clear. Perhaps politics prevented. At any rate the House, acting alone, appointed three members — William B. Sheldon, Charles C. Sholes, and Peter H. Engle, the last from Dubuque — as a committee to investigate the Miners' Bank and two others in Wisconsin Territory. The committee visited Dubuque, remained twenty-eight hours, and questioned the cashier. It did not, however, inspect the books of the bank nor did it count the money on hand. Indeed, it appears that this committee had little

appreciation of its responsibilities or else that it was appointed to bring in a favorable report.

The statistics furnished by the cashier indicated that \$100,000 of the capital had been paid in, of which \$41,147 was in specie. Notes to the amount of \$11,435 had been issued, of which \$2000 was in demand notes and \$9435 in post notes, payable twelve months after date. Specie amounting to \$42,118 was reported on hand. Deposits were \$3043, debts due the bank \$57,321, and real estate holdings \$950. Apparently the bank had purchased a building or some share in it.

On this record, the House committee submitted a report that the Miners' Bank was "in a sound and solvent condition". One member of the committee (a strict constructionist) did, however, object to the issue of post notes as contrary to the charter. The other members frowned on the practice, but thought such notes were not forbidden and were therefore legal. The *Iowa News* rejoiced editorially that the bank had been vindicated and asserted that it was one of the "most solvent institutions in the country".

Perhaps we may pause here for a moment to look at some of the notes of the Miners' Bank. They are printed only on one side, but elaborately ornamented. One, a five dollar demand note, signed by T. O. Martin, cashier, is dated January

6, 1838. The picture of a train at the top reminds us that John Plumbe, Jr., a resident of Dubuque at that time, had already thought of a railroad to the Pacific. Some notes bear pictures of steamboats. On one ten-dollar note, an Indian brandishes a tomahawk in one corner, while a race horse appears in the opposite corner. Pictures of scantily draped women appear on the twenty, fifty, and hundred dollar notes. In front of one of these figures a celestial donor proffers a cornucopia full of money, while behind her stands an eagle bearing in his beak a streamer with the slogan "merces tutamen et decus". One of the notes is made payable (in handwriting) at the Mechanics and Traders Bank of Cincinnati.

In spite of the report of the committee and the comment of the local newspaper, the whispering campaign against the management of the bank continued. That the charges were whispered seems, however, to have been due to the attitude of the *Iowa News* which refused to permit the opponents of the bank to publish their views in the paper, perhaps because one of the directors was also the proprietor of the newspaper. As a last resort the opposition faction published its charges in the *Miners' Free Press* at Mineral Point, of which W. S. Hamilton, son of Alexander Hamilton, was the editor.

Again the Legislative Assembly of Wisconsin Territory determined to investigate the bank and the charges against it. This time a joint resolution, adopted on January 19, 1838, authorized the appointment of two members from each house as a committee to visit the bank, examine its books and papers, count the money, and determine whether or not the bank had violated its charter. The committee was to report at the special session to be held in the following June. The members appointed on this investigating committee were Thomas H. McKnight, chairman, J. R. Vineyard, James P. Cox, and E. E. Childs.

This committee visited Dubuque in February, remaining about two weeks. This time the books were inspected, the money counted, and various persons interviewed. As a result, the committee reported that of the \$100,000 paid-in capital, \$40,000 had been in the form of certificates for specie in Detroit, Michigan, \$50,000 in the notes of two Michigan banks — the Bank of Manchester and the Jackson County Bank — and \$10,000 in specie and "various other bank notes". At this time, it may be explained, the bank commissioners of Michigan listed both the Manchester and Jackson County banks as having no claim to public confidence.

A total of \$14,030 had been issued in bank

notes, of which \$12,680 was in post notes which the bank officials explained they would redeem in notes of other banks, but not in specie. A count of the funds on hand revealed \$40,000 in certificates of specie deposited at Detroit, \$1318 in specie, and \$20,000 in the notes of the Jackson County Bank and the Manchester Bank. G. D. Dillon, former cashier, testified that some of the stockholders had paid in the required installments on their stock in specie and then had borrowed back the money on their personal, unendorsed notes.

In June, 1838, the committee made a supplementary investigation. At that time the bank had only \$457.30 in specie to redeem some \$11,000 in notes outstanding. The bank, however, reported that \$20,000 in specie was "intransito". The committee, after what appears to be a complete and fair investigation, reported that the bank was not conducted on sound principles and recommended that its charter be repealed.

Before any action could be taken by the legislature, the jurisdiction over the Miners' Bank was changed by the division of Wisconsin Territory. The legislature, therefore, decided to adjourn, leaving the newly elected Legislative Assembly of Iowa Territory to wrestle with the problem of approving, supervising, reforming, or destroying the Dubuque bank.

This ended what may be called the first chapter of the history of the Miners' Bank. It lasted until 1849, but its career was beset by a series of investigations ordered by Iowa legislatures. There was also the constant struggle to maintain specie payments — that is, redeem its notes in coin when presented at its counter. This was the final proof of solvency, but it was, in fact, almost impossible for a bank to do this, partly because specie was constantly drained from the western banks by land payments, for the government required that land be paid for in gold and silver coins.

Probably, on the whole, the Miners' Bank benefited Dubuque and the surrounding area. Certainly its notes were as good as those of some other banks in circulation and better than many of them. At any rate the Miners' Bank of Dubuque was typical of frontier banks. Chartered in 1836, organized in 1837, and closed in 1849, the Miners' Bank saw the organization of the Territory of Iowa and the admission of Iowa into the Union. Its organization is noteworthy among the events of 1837 for it was the only banking institution incorporated and legally doing business in Iowa until after the adoption of the Constitution of 1857.

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